

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT)

S E C R E T.

COPY NO.

C A B I N E T 35 (39)

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 5th JULY, 1939,
at 10.30 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

2. I.R.A. OUTRAGES.

(Reference Cabinet 1 (39) Conclusion 10)

Memorandum by the Home Secretary.

C.P. 147 (39) - circulated herewith.

3. WAR RISKS INSURANCE LEGISLATION.

(Reference Cabinet 2 (39) Conclusion 9)

Memorandum by the President of the Board of Trade.

C.P. 145 (39) - circulated herewith.

4. SURVEY OF WAR PLANS IN THE ECONOMIC AND FINANCIAL SPHERES.

Memorandum by the Chancellor of the Exchequer.

C.P. 146 (39) - circulated herewith.

5. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

15th Conclusions (39) of Committee of Home Affairs - to be circulated.

(a) Export Guarantees (Amendment) Bill.

(Reference Cabinet 33 (39) Conclusion 8 and Cabinet 34 (39) Conclusion 9)

Memorandum by the President of the Board of Trade, covering draft Bill.

H.A. 29 (39) - circulated herewith.

(b) Law Reform (Miscellaneous Provisions) (Scotland) Bill.

(Reference Cabinet 34 (39) Conclusion 6)

Memorandum by the Secretary of State for Scotland, covering draft Bill.

H.A. 28 (39) - circulated herewith.

(Signed) E.E. BRIDGES

Secretary to the Cabinet.

Richmond Terrace, S.W.1.

30th June, 1939.

SECRET.

COPY NO. _____

C A B I N E T 35(39).

CONCLUSIONS of a Meeting of the Cabinet held
at 10, Downing Street, S.W.1., on WEDNESDAY,
5th JULY, 1939, at 10.30 a.m.

P R E S E N T :-

The Right Hon. Neville Chamberlain,
M.P., Prime Minister. (In the Chair).

The Right Hon.
Sir John Simon, G.C.S.I., G.C.V.O.,
O.B.E., K.C., M.P., Chancellor of
the Exchequer.

The Right Hon.
Viscount Runciman,
Lord President of the
Council.

The Right Hon.
Lord Maugham,
Lord Chancellor.

The Right Hon.
Sir Samuel Hoare, Bt., G.C.S.I.,
G.B.E., C.M.G., M.P., Secretary
of State for Home Affairs.

The Right Hon.
Viscount Halifax, K.G., G.C.S.I.,
G.C.I.E., Secretary of State for
Foreign Affairs.

The Right Hon.
Sir John Anderson, G.C.B.,
G.C.S.I., G.C.I.E., M.P.,
Lord Privy Seal.

The Right Hon.
Sir Thomas Inskip, C.B.E., K.C.,
M.P., Secretary of State for
Dominion Affairs.

The Most Hon.
The Marquess of Zetland, G.C.S.I.,
G.C.I.E., Secretary of State
for India and Burma.

The Right Hon.
Malcolm MacDonald, M.P.,
Secretary of State for the
Colonies.

Admiral of the Fleet the Right Hon.
Lord Chatfield, G.C.B., O.M.,
K.C.M.G., G.V.O., Minister
for Co-ordination of Defence.

The Right Hon.
W.S. Morrison, M.C., K.C., M.P.,
Chancellor of the Duchy of
Lancaster.

The Right Hon.
L. Hore-Belisha, M.P.,
Secretary of State for War.

The Right Hon.
Sir Kingsley Wood, M.P.,
Secretary of State for Air.

The Right Hon.
John Colville, M.P., Secretary
of State for Scotland.

The Right Hon.
Oliver Stanley, M.C., M.P.,
President of the Board of Trade.

The Right Hon.
The Earl De La Warr, President
of the Board of Education.

The Right Hon.
Walter Elliot, M.C., M.P.,
Minister of Health.

The Right Hon.
Ernest Brown, M.C., M.P.,
Minister of Labour.

The Right Hon.
E.L. Burgin, M.P.,
Minister without Portfolio.

Captain the Right Hon.
D. Euan Wallace, M.C., M.P.,
Minister of Transport.

Sir Edward Bridges, K.C.B., M.C. Secretary.

C A B I N E T 35 (39).

CONCLUSIONS of a Meeting of the Cabinet held on
WEDNESDAY, 5th JULY, 1939, at 10.30 a.m.

CONTENTS.

<u>Conclusion No.</u>	<u>Subject.</u>	<u>Page.</u>
1.	<u>PENSIONS FOR MEMBERS OF PARLIAMENT.</u>	1.
2.	<u>GOVERNMENT BUSINESS:</u> Attendance of Ministers at Divisions.	2.
3.	<u>COMPANY DIRECTORSHIPS:</u> Tenure by Ministers of the Crown.	3.
4.	<u>THE INTERNATIONAL SITUATION:</u> Russia.	4.
5.	<u>THE INTERNATIONAL SITUATION (CONT'D.):</u> Danzig and Poland.	9.
6.	<u>THE INTERNATIONAL SITUATION (CONT'D.):</u> Defence Preparedness: Naval Measures.	13.
7.	<u>THE INTERNATIONAL SITUATION (CONT'D.):</u> The Position at Tientsin.	15.
8.	<u>THE UNITED STATES OF AMERICA:</u> Amendment of Neutrality Legislation.	16.
9.	<u>EXPORT CREDITS GUARANTEE SCHEME:</u> Effect of the International Situation.	17.
10.	<u>I.R.A. OUTRAGES.</u>	18.
11.	<u>WAR RISKS INSURANCE LEGISLATION.</u>	24.
12.	<u>SURVEY OF WAR PLANS IN THE ECONOMIC AND FINANCIAL SPHERES.</u>	30.
13.	<u>EXPORT GUARANTEES (NO.2) BILL.</u>	32.
14.	<u>LAW REFORM (MISCELLANEOUS PROVISIONS) (SCOTLAND) BILL.</u>	34.

PENSIONS FOR
MEMBERS OF
PARLIAMENT.

(Previous
Reference:
Cabinet 58
(38), Con-
clusion 4.)

10.

1. THE PRIME MINISTER reminded his colleagues that a resolution in favour of pensions for Members of Parliament had been carried in the House of Commons on the 2nd February, 1939. In view of this resolution, he felt bound to bring in a Bill to provide statutory authority for the proposed annual deduction of £12 from Members' salaries. He proposed, therefore, to introduce the Bill and to speak in favour of it himself. He thought, however, that the Bill should be left to the free vote of the House and that, as on a recent occasion, the right course would be for Under Secretaries and Whips to be as free as Back Benchers to decide how they would vote, but that members of the Cabinet should not vote against the Bill, although they need not feel bound to vote in favour of it. He hoped to introduce the Bill before the Summer Recess.

The Cabinet approved this proposal.

GOVERNMENT
BUSINESS.

Attendance of
Ministers at
Divisions.

2. THE PRIME MINISTER reminded his colleagues that, until the end of the Session, Fridays were now taken for Government business. On the previous Friday, on a Division on the Ministry of Labour Vote, the Government majority had fallen to 18. He hoped that his colleagues would, so far as possible, arrange in future to work in their rooms in the House of Commons rather than in their Offices on Fridays, so that they could attend Divisions at short notice.

The Cabinet took note of this statement.

COMPANY
DIRECTOR-
SHIPS.

Tenure by
Ministers of
the Crown.

(Previous
Reference:
War Cabinet
106, Con-
clusion 3.)

3. ~~THE PRIME MINISTER~~ said that the rule on this subject, which had been laid down by Sir Henry Campbell Bannerman in March, 1906, was in the following terms:-

"All directorships held by Ministers must be resigned, except in the case of honorary directorships, directorships in connection with philanthropic undertakings, and directorships in private companies".

As his colleagues were aware, a number of Parliamentary Questions had recently been addressed to him by Mr. D.N. Pritt, K.C., M.P., on this matter and he had invited Mr Pritt to submit his views in the form of a memorandum. This he had done.

It was evident that the term "private companies", which had no statutory significance in 1906 and was probably used to cover Companies dealing wholly or mainly with family interests, now covered a very much wider field.

The Prime Minister said that he had reached the conclusion that some change was called for in regard to Directorships of private companies. He proposed to send to his colleagues a copy of a draft statement which had been prepared, setting out the change which he proposed should be made in the rule in regard to such Directorships. He asked that any Minister who would be embarrassed by the rule would let him know. He also invited his Cabinet colleagues to bring the statement to the notice of Under-Secretaries in their Departments. He would himself bring the statement to the notice of any Ministers not covered by these arrangements.

The Cabinet took note of this statement.

THE INTER-
NATIONAL
SITUATION.
—
Russia.

(Previous
Reference:
Cabinet 34
(39), Con-
clusion 2.)

FR.37(39)1-

4. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that his colleagues would have seen Telegrams Nos. 150, 151 and 152, of the 4th July, 1939, from Sir William Seeds.

The first point raised by these telegrams was that the Soviet Government had refused to agree to the inclusion of Holland and Switzerland in the secret list. The wheel had thus come full circle from the early days of the negotiations, when Russia had pressed for full reciprocity.

The Foreign Secretary said that it was a curious instance of Soviet Governmental methods that M. Molotov had stated that the People's Representatives had authorised the giving of guarantees in respect of five countries, plus the Baltic States. If, at a later date, Poland and Turkey made pacts of mutual assistance with the Soviet Union, those two countries could be dropped out of the number of third-party States, and their names replaced on the list by those of Holland and Switzerland.

In form, the omission of Switzerland and the Netherlands from the countries in the secret list was open to great objection. On the facts as they existed today, however, this course was perhaps not open to quite so much objection as might appear at first sight. Thus, it could well be argued that it was of the first importance to make some arrangement in Eastern Europe which would ensure Russian support for Poland, and that any failure to achieve this would act as an encouragement to Herr Hitler.

In the view of the Foreign Policy Committee an even more important issue had been raised by Telegram No. 151 from Moscow, which defined "indirect aggression" as "an internal coup d'état or a reversal

of policy in the interests of the aggressor". It was unnecessary to stress the objections to this definition and the difficulties which would ensue therefrom.

The Foreign Policy Committee had been impressed by the need for urgent action and with the likelihood of further argument if new points were continually raised. They had therefore reached the conclusion that the right course was that we should submit to the Soviet Government two definite alternatives, and invite them to select one or the other.

The first alternative was that the Soviet Government should drop their definition of "indirect aggression", and that we should abandon our insistence on the inclusion of Switzerland and Holland in the secret protocol. We should, however, endeavour to incorporate in the Treaty a provision for consultation in the event of aggression against any Powers not included in the secret list, and we should also include a provision for consultation to deal with cases of indirect aggression.

The second alternative was to fall back on a tripartite pact, together with provisions for consultation in regard to cases not covered by such a pact.

If the second alternative was adopted, we should also agree to further negotiations with a view to extending the pact to other cases not covered by it.

The Foreign Secretary said that he had been authorised by the Foreign Policy Committee to prepare a draft telegram on these lines and to despatch it to Moscow as soon as it had been approved by the Prime Minister and settled in consultation with the French Government.

In the course of discussion, it was pointed out that it would appear that the exclusion of Holland and Switzerland from the secret list of countries would enable Germany to avoid Russia being immediately involved in a war which Germany started by an attack on Holland or Switzerland. On the other hand, it was pointed out that if the list was kept secret, there would be an element of uncertainty in Herr Hitler's calculations. Again, it was felt that it would be better that we should reach an immediate agreement with Russia rather than allow the negotiations to drag on indefinitely.

In reply to questions, the FOREIGN SECRETARY said that he had very little information as to the real attitude of Russia in regard to the Treaty other than that which reached him in the Foreign Office telegrams. He did not anticipate that the result of the despatch of a telegram on the lines proposed would be that Russia would break off negotiations altogether. If this happened, it would, he thought, show that Russia had never seriously intended to conclude a treaty with us.

The Cabinet then considered the Soviet insistence on the treaty covering cases of indirect aggression and on the proposed definition of such aggression.

THE MINISTER OF HEALTH asked what action we proposed to take if the new technique were applied to the Baltic States. In his view, this point was a crucial one in any arrangements to meet aggression. He asked how wide was the gap between the British and Soviet points of view on this matter.

THE FOREIGN SECRETARY said that if an attempt was made to apply the new technique of indirect aggression to one of the Baltic countries, under the Anglo-French draft we should consult with Russia and if agreement so to do was reached, we should put the mechanism of mutual assistance into operation. Under the Russian draft, however, if Finland, for instance, signed a treaty with Germany which, in Russia's view, was unduly favourable to Germany, and if Russia took action in Finland which Germany regarded as Russian interference, we might well find ourselves involved in war.

The view was generally expressed that the definition of indirect aggression proposed by the Russian Government was entirely unacceptable.

THE FOREIGN SECRETARY added that in his view the methods by which the modern technique of indirect aggression could be applied were so various that it could not be satisfactorily covered by any single formula.

THE MINISTER OF HEALTH thought there was a certain amount of suspicion between the two sides and, in particular, he thought that the Russians suspected that when we referred to "consultations" in the draft treaty, we intended to employ delaying tactics.

After some further discussion, it was agreed that there was no reason why the draft treaty should not provide for immediate consultation in regard to cases of indirect aggression although objection was seen to a rigid provision for consultation within, say, 3 or 4 days.

THE SECRETARY OF STATE FOR INDIA said that, in his view, the situation would be adequately met by a

simple Three-Power Pact. He thought that the additional provisions in the draft now under discussion were likely to involve us in all sorts of difficulties, more especially since he did not believe that the secret protocol would be kept secret.

THE PRIME MINISTER said that he and several other members of the Foreign Policy Committee would in many ways have preferred the conclusion of a simple Three-Power Pact. The conclusion reached had, however, been that if, after lengthy negotiations to obtain a treaty on a wider basis, we were now to send a telegram to the effect that we were only prepared to sign a treaty on the basis of a simple Three-Power Pact, we should run the risk of putting ourselves in the wrong with Russia. It had therefore been thought better to send a telegram putting forward two alternatives.

The Cabinet took note of the above statement and authorised the despatch to Moscow of a telegram on the lines approved by the Foreign Policy Committee as indicated by the Foreign Secretary.

INTERNATIONAL
SITUATION (Cont'd.)

Danzig and
Poland.

(Previous Refer-
ence: Cabinet
32(39) Conclu-
sion 8).

FR 47 39)2.

5. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the Cabinet would be aware of the crop of rumours which had been current over the weekend to the effect that a coup at Danzig was imminent. It had been learned that a number of these rumours were being freely propagated by Herr Abbetz from Paris. On 1st July the French Government had wished us to join with them in issuing a formal Government statement: having regard, however, to the fact that these rumours were being propagated by an emissary of the German Government, the Foreign Secretary had thought that the issue of such a statement might be playing the German game. It had therefore been decided to adopt a middle course. No formal Government statement had been issued, but the newspapers had been given a certain amount of inspired direction.

The Foreign Secretary said that we had not yet had a firm reply to our telegram to Warsaw (No. 207), in which we had suggested that the moment had come when consultation should take place between the British, French and Polish Governments in order that the plans of the three Governments should be co-ordinated in time. Sir Howard Kennard had said that Colonel Beck would find it difficult to be more specific as to the action he would take in the event of an attempted coup at Danzig. Colonel Beck had always said that his action would be proportionate to the provocation offered.

At the same time if matters developed rapidly at Danzig it would be necessary for Poland to act quickly, unless she was to be at a serious military disadvantage.

Continuing, the Foreign Secretary said that it was proposed to send a senior British General to Poland to ascertain the Polish plans. It had originally been proposed that both a French and a British General should go to Warsaw, but as there was already a French General there, this part of the plan was unnecessary.

The Foreign Secretary added that he also intended to seek an early interview with the German Ambassador in London and to speak to him in much the same terms in regard to Danzig as M. Bonnet had used to the German Ambassador in Paris.

FR 37,39)4- The Foreign Secretary then said that the Prime Minister had discussed with him the possibility of making some communication to Signor Mussolini, giving him a plain intimation of the issues involved and of the consequences if war ensued. It was proposed to arrange for a message, in suitable terms, to be conveyed from the Prime Minister to Signor Mussolini through our Ambassador in Rome.

The Foreign Secretary said that he had also considered giving the Pope the outlines of a possible solution of the Danzig problem, but he had reached the conclusion that in the present atmosphere there was no opportunity for a settlement by negotiation. The first point was to secure a détente.

The Foreign Secretary invited the attention of his colleagues to Sir Neville Henderson's Telegram (No. 295 from Berlin) in which he reported that the Polish Ambassador had re-acted very quickly to the suggestion that if anything was to be done it was necessary to deal direct with Herr Hitler. This seemed to confirm Herr von Weizsäcker's statement that there were some indications that the Poles might be prepared to negotiate on Danzig.

The Foreign Secretary concluded by saying that it was proposed to arrange for a clear statement to be made in Parliament explaining the importance of Danzig and the main facts in regard to its position. Such a statement would have value in educating public opinion, both here and in the United States. The statement would explain how serious would be the consequences of an attempted coup and would indicate that in calmer times negotiations might prove successful. A draft of the statement had been sent to Colonel Beck.

THE SECRETARY OF STATE FOR WAR said that the British General to be sent to Poland would, of course, endeavour to obtain information as to Polish plans from Marshal Smigly-Rydz. He thought however that instructions should also be given to the General as to the direction which we wished Polish plans to take.

THE FOREIGN SECRETARY thought that the General should not discuss political issues.

THE PRIME MINISTER thought that the General should ascertain what would be the most which Poland could do if force was used in Danzig.

THE HOME SECRETARY stressed the importance of giving the General precise instructions. He suggested that the British General's discussions should cover Polish munitions and mobilisation.

THE MINISTER FOR CO-ORDINATION OF DEFENCE explained that Staff Conversations had already been held with the Poles, and that the Report of our representatives was now being examined by the Chiefs of Staff. He gave the Cabinet particulars of some of the main facts which had emerged in these conversations. (Paper No. C.O.S. 927).

THE PRIME MINISTER thought it was important that the British General's discussions with Marshal Smigly-Rydz should not cut across the Staff Conversations, but should be confined to the issue of what action the Poles proposed to take if a situation should develop at Danzig in which they were not prepared to acquiesce. It was important, that the General should receive precise directions.

THE CABINET:

- (1) Took note of the Foreign Secretary's statement.
- (11) Invited the Foreign Secretary to confer with the Secretary of State for War in regard to the despatch of a British General to Poland, and in particular to settle with the Minister for Co-ordination of Defence and the Secretary of State for War the terms of the instructions governing the course of his conversations to be given to the General selected for this Mission.

INTERNATIONAL
SITUATION. (Contd.)

Defence Preparedness.

Naval Measures.

FR 37,39)7

6. THE PRIME MINISTER said that a good deal had already been done to eliminate the risk that Herr Hitler might not realise that we were in earnest about the position at Danzig. Nevertheless, he was not disinclined to take further action to add to the impression already created. It had already been arranged that the Fleet should undertake combined exercises with the Royal Air Force in August. He had discussed with the Minister for Co-ordination of Defence and the First Lord of the Admiralty the proposal that a further statement should presently be made, indicating that it was intended to extend the scope of these combined exercises. The First Lord was working out a plan whereby the exercises should be supplemented by making available further ships, including a considerable number of cruisers and destroyers, which would join the Fleet after the August Bank Holiday. This would result in a larger demonstration of force and would also be very valuable if a serious crisis developed in August or September. These further ships could not be manned without calling out reservists. The scheme had not yet been finally completed. He thought that an announcement would not be necessary for some ten days. Nevertheless, he would be glad if the Cabinet would authorise the making of an announcement in suitable terms if the situation rendered this course desirable before the next weekly meeting of the Cabinet.

THE SECRETARY OF STATE FOR AIR said that in the course of the next few days he proposed to announce that several squadrons were shortly flying to France on a visit, and that a number of flights over French territory would take place during the next few weeks.

Discussion turned to the question whether action or statements which tended to emphasise the critical position in international affairs played into Germany's hands by fostering an atmosphere of constant tension. The suggestion was also made that mobilisation of the Fleet was a measure which it might be desirable to keep until matters were extremely serious.

It was agreed that this point of view was one of great importance, and that it was necessary to keep a balance between action which showed resolution, and action which might indicate that we were becoming apprehensive. It was pointed out, however, that according to the plan described by the Prime Minister, the announcement would be made some weeks before the event to which it related. Further, while the plan involved the calling-up of a certain number of reservists it fell very far short of mobilisation.

The Cabinet approved in principle the making of an announcement on the lines suggested by the Prime Minister, and agreed that if the situation should necessitate an announcement on these lines, it might be made without further reference to the Cabinet.

THE INTER-
NATIONAL
SITUATION
(Cont'd.)

The Position
at Tientsin.

(Previous
Reference:
Cabinet 34
(39), Con-
clusion 1.)

FR 37, 39)3

7. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he had very little to say on this matter. There was a report in the Press, which he was not at present able to confirm, to the effect that the negotiations at Tokyo would start on the ensuing day.

The Cabinet took note of this statement.

THE UNITED
STATES OF
AMERICA.

Amendment of
Neutrality
Legislation.

(Previous
Reference:
Cabinet 33 (39)
Conclusion 3
(page 9))

CR 37, 39) 5

8. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

in reply to a question, said that he had little to add to the telegrams which had been received on this subject. He referred to a recent telegram from Sir Ronald Lindsay (Telegram No. 295 from Washington) which indicated that the Administration intended to carry on the fight in the Senate, but that the prospects were not very encouraging as it had always been expected that the Senate would be less favourable than the House of Representatives.

EXPORT CREDIT
GUARANTEE SCHEME.

Effect of the
International
Situation.

(Previous
Reference:
Cabinet 34
(39), Conclusion
9).

9. THE PRESIDENT OF THE BOARD OF TRADE said that at the present time a good many credits continued to be given in respect of exports to Germany and Italy, on the advice of the Export Guarantees Advisory Council. The Council, however, was now somewhat apprehensive as to the position and he thought that, failing some guidance, they might refuse to renew guarantees in respect of exports to Germany and Italy. His view was that it would be a pity if exports to Germany and Italy under the Government scheme were to be brought to an end at the present time. At the same time, the Government should not put pressure on the Advisory Council to grant such credits against their own judgment. If the Cabinet agreed, he would like authority to communicate with the Advisory Council on the lines indicated. The result would probably be that the Council would continue to grant credits in respect of exports to Germany and Italy.

General agreement was expressed with this suggestion, and the President of the Board of Trade was authorised to act accordingly.

I.R.A. OUTRAGES. 10. The Cabinet had before them a Memorandum by the Home Secretary (C.P.-147 (39)) in which he urged the need for further powers to deal with the criminal conspiracy of the Irish Republican Army. In his Memorandum the Home Secretary described the organisation of the I.R.A. and reviewed the salient features of the long campaign of outrages which had begun on the 16th January with the object of forcing His Majesty's Government to bring the partition of Ireland to an end. These showed on the one hand the serious extent of the danger to life and property and on the other hand the difficulties which prevented the effective suppression of the organisation without further drastic powers.

(Previous Reference: Cabinet 1 (39) Conclusion 10).
FR 34(34) 10.

The most effective new weapon would be the power to intern persons whom the Home Secretary had reasonable grounds for supposing to be engaged in the conspiracy, with a provision for some form of appeal to an Advisory Committee. There would probably be Parliamentary objection, however, to the grant of such a power in time of peace, involving, as it would, a suspension of the Habeas Corpus Act.

An alternative weapon would be the power to deport and exclude persons believed to be concerned in the conspiracy, with liability to a substantial term of imprisonment if an attempt were made to return to this country. Such a power would assist in the solution of the real problem, which was to disorganise the local control maintained by sectional organisers.

The existence of a power to deport might prove a powerful deterrent to any sympathisers who might be tempted to participate in the organisation. Such a power, moreover, would be likely to command general support if its use were confined to the case of persons who were believed to have been resident in Ireland and not to have been established more than "X" years in Great Britain, though it might be desirable, to avoid the appearance of discrimination against Eire, to make the power to remove applicable to all British subjects not born in or established in Great Britain for more than "X" years. To fix "X" at four or five years would cover a fair proportion of the principal organisers, but the higher the figure, the more adequate it would be for Police purposes. Provision for the constitution of an Advisory Committee to advise in individual cases might be made if it were considered that this would make the passage of a Bill through Parliament easier. The Home Secretary was convinced, however, that nothing short of internment or removal was likely to be of any use to deal with a highly organised Secret Society which incited or ruthlessly enforced fanatical obedience.

There was no doubt that the organisation was greatly feared by the Eire Government which had been obliged, in its own defence, to pass the Offences against the State Act, under which it had proclaimed the I.R.A. organisation to be illegal. But whether that Government intended, or had the power, to arrest the principal leaders remained to be seen. Mr. de Valera had made it plain that he was not seeking powers

because of events outside Eire, and it might therefore be that, so long as the organisation confined itself to committing outrages in the United Kingdom, he did not propose to take any further practical steps beyond the present declaration of illegality. In any event, any active steps of suppression in Eire might only compel the leaders to cross over to this country and intensify their present campaign.

The Memorandum continued that if the Cabinet were prepared to agree to the principle of a Bill to confer powers of deportation and exclusion, there remained the question whether such powers should relate only to Eire, or should include also Northern Ireland. On this matter the Home Secretary proposed to consult with the Government of Northern Ireland.

In conclusion, the Home Secretary asked for authority to prepare and submit to the Committee of Home Affairs a Bill (not necessarily for immediate introduction) providing for the removal and exclusion of persons belonging to the I.R.A., on the lines suggested in the Memorandum in order that a Bill might be ready, if there were any new developments which called for additional powers.

THE HOME SECRETARY said that the situation had become more serious in the last few weeks. At the outset the police had been very successful in combating these outrages, but they were now finding it very much harder to obtain the evidence necessary to secure convictions. After the Piccadilly outrages the police had arrested a dozen men whom they felt sure were guilty persons. They had not, however, been able to secure the necessary evidence, and after two or three days they had had to let the men go.

The Home Secretary thought that it was essential that effective action should be taken as soon as possible and without waiting until further outrages took place. In his view, the only really effective action would be to take emergency powers which would enable suspected persons to be interned. If his colleagues did not feel able to accept this suggestion there remained the alternative of deportation.

It might be argued that, failing some visa system, there would be no means of checking deportees trying to return through the ports of entry from Ireland. It was true that the absence of any visa system created a gap, but he was satisfied that if the power of deportation was limited to citizens of Eire who had been resident in this country for less than five years, it would enable the authorities to deport anything up to 100 suspected persons who were strongly suspected of being concerned in these outrages. He had now reached the conclusion that it was necessary to introduce legislation before the end of the Session.

THE LORD PRIVY SEAL said that he hoped that every other expedient would be explored before the policy of internment was decided upon. Apart from the difficulty of commending such a policy to public opinion, an internment policy was, in his view, only suited to a temporary situation to which it was hoped other measures of alleviation could be applied. He preferred the policy of expulsion, which, however, he thought would have to be accompanied by the power to imprison prior to expulsion. He thought that it would be necessary to have some tribunal with advisory powers whose recommendations would, in fact, be accepted. In Bengal there had been an advisory tribunal of minor judges (not judges of High Court status) whose reports had not been published.

THE SECRETARY OF STATE FOR DOMINION AFFAIRS said that he did not know what Mr. de Valera's reactions would be to the action proposed. An official of the Dominions Office, who had recently visited Dublin, reported that Mr. Walshe was apprehensive about the position and that there was now some possibility of co-operation between the British and Eire Authorities as regards persons proceeding from Eire to this country. Mr. de Valera had expressed much concern about the matter, but hitherto he had not been helpful in co-operating with us.

The Secretary of State for Dominion Affairs said that the Eire Government had themselves passed a very drastic law which provided, inter alia, that powers of internment could be brought into operation by the issue of a proclamation by that Government.

He thought that at the appropriate stage, it would be necessary to tell Mr. de Valera what action we proposed to take although he did not suggest that we should consult with him in the matter.

THE PRIME MINISTER said that he was very anxious in regard to the situation. It was only by a miracle that a serious loss of life had not occurred in the Piccadilly outrage. He favoured, and he thought that the Cabinet as a whole would favour, immediate legislation to deal with the situation.

THE SECRETARY OF STATE FOR SCOTLAND supported this point of view. Though there had been no outrages among the Irish population in the Glasgow neighbourhood, the police authorities in Glasgow favoured further powers.

THE LORD PRIVY SEAL referred to the Art O'Brien case and pointed out that deportation, like internment, involved interference with the Habeas Corpus Act.

The Cabinet agreed:

- (1) To authorise the Home Secretary to arrange for the immediate drafting of a Bill, and for its submission to the Home Affairs Committee without further reference to the Cabinet;
- (2) The Bill should make provision for the arrest, deportation and exclusion from this country of persons belonging to the Irish Republican Army;
- (3) That a communication should be made to Mr. de Valera when the Bill is drafted in order that he should be given the chance of making his comments, but not of holding up the Bill;
- (4) That the proposed Bill should be introduced and passed into law before the Recess.

WAR RISKS
INSURANCE
LEGISLATION.

(Previous
References:
Cabinet 2(39),
Conclusion 9,
and Cabinet 4
(39), Conclusion 10.)

11. The Cabinet had under consideration a Memorandum by the President of the Board of Trade (C.P.-145 (39)) on the subject of War Risks Insurance of Essential Commodities. The Memorandum stated that the Board of Trade, in consultation with the Insurance interests, had now worked out a scheme on the lines indicated by the Chancellor of the Exchequer in his statement in the House of Commons on the 31st January, namely, a scheme for the insurance in war-time of all goods which, in the opinion of the Board of Trade, were essential to the life of the community during war, including the maintenance of the export trade, and under which there was no provision in peace but it was necessary for the persons concerned to register at a nominal fee sufficient to cover expenses.

The President sought authority to submit a Bill on this subject to the Committee of Home Affairs, with a view to its introduction in Parliament forthwith. In addition to the provisions relating to the insurance of commodities, the proposed Bill would include the provisions required to enable the Board of Trade to operate the comprehensive scheme for marine war insurance, two parts of which had already been put into operation, in advance of legislation, with the approval of the Cabinet at the Meetings mentioned in the margin. It would also include the power to put into operation a scheme to cover goods in transit between ship and warehouse.

After outlining the effect of the provisions relating to commodities, the President indicated certain important points of detail on which he considered that the scheme announced by the

Chancellor should be modified:-

- (1) that the scheme should be wide enough to cover practically all goods in trade, without attempting to distinguish between commodities considered to be essential for the community in war-time or those which were not;
- (ii) that the idea of compulsory insurance should be dropped; with the corollary that no trader who failed to take advantage of a voluntary scheme (coupled with a minimum premium based on the cost of insuring, say, £100 worth of goods) would be entitled to receive ex gratia compensation for the destruction of his stock by enemy action under the compensation scheme except to an amount which could be limited to £100;
- (iii) that in regard to the increased fee for late registration, contemplated in the Chancellor's statement, nothing but a sum equivalent to an exceedingly heavy insurance premium could act as an incentive to register in time of peace so as to be covered in time of war, and that the idea underlying the proposal was sufficiently met by the fact that a trader who had not registered in time of peace, would find himself without cover until a policy could be issued to him.

THE PRESIDENT OF THE BOARD OF TRADE drew attention to the three points in regard to which he proposed that the scheme announced by the Chancellor of the Exchequer should be modified. The third point had now been settled with the Treasury. The main question at issue was whether the scheme should be on a compulsory or a voluntary basis.

The President said that he agreed that on theoretical grounds the arguments in favour of a compulsory scheme set out in the Memorandum by the Chancellor of the Exchequer (C.P. 17 (39)) were unanswerable. In practice, however, a number of difficulties arose. In the first place, the Chancellor's scheme had not provided for the inclusion of retailers. It had been urged in the Cabinet discussion that retailers should be included. In practice, however, it was impossible to have a compulsory scheme which applied to all retailers. The Insurance Companies stated quite definitely that they could not work such a scheme. In his view a compulsory scheme from which retailers were excluded was not desirable since such an exclusion was not equitable and would give rise to difficulties of definition.

This line of argument led to the view that a compulsory scheme could only be proceeded with if businesses were included in it by reference to some financial limit. He thought that a provision on these lines would present a serious obstacle to the passage of the Bill at the present time.

There was also the consideration that the authorities of the House of Commons would regard a Bill providing for compulsory insurance as a taxation measure. The Bill would therefore have to be founded on a Ways and

Means Resolution, and would be tantamount to imposing taxation without stating what the rate of tax would be. This also presented serious difficulties.

A further point was that, owing to fluctuations in price values, a business might be liable to the compulsory scheme one day and cease to be liable on the next day. Again, when it had been established that a particular business was within the limits of compulsory insurance, it would be difficult to check that the business was insured for the right amount.

The President said that he had therefore reached the conclusion that a compulsory scheme of insurance was not in fact practicable. Nevertheless, he thought that a large proportion of the substantial firms would in fact take advantage of a voluntary scheme, since there was a growing recognition that there were very few places in this country which were safe from air attack. He thought also that the banks and financial houses would show unwillingness to finance commodities, wherever situated, unless those commodities were covered by the Government insurance scheme.

THE CHANCELLOR OF THE EXCHEQUER said that, while he appreciated the serious difficulties involved, he thought that a big question of principle was at stake. His conception of the underlying principle of the scheme was that it was imperative to ensure the supply of essential commodities to the people of this country in war, and that the right method of securing this end was that the community as a whole should bear the risks, rather than that the matter should be dealt with on the basis of differing risks for each area according to its vulnerability. The scheme had been worked out in general outline by a Departmental Committee, which had reached the conclusion that the right course was to have a compulsory scheme of insurance for essential commodities.

As he understood the matter, the President of the Board of Trade now proposed to have a voluntary scheme of insurance, but at a flat rate applicable to the whole country. The difficulties of a Government scheme based on a flat rate were, he thought, evident. The scheme would be attractive to firms in dangerous areas, but would not be attractive to those in safer areas. He thought that under the President's scheme, instead of a free movement of commodities in war there would be an increasing tendency for firms not to insure, but to send their goods to what they believed to be the safer areas. He felt sure that before long any voluntary scheme would have to be amended by offering varying rates according to the degree of vulnerability.

More generally, the Chancellor of the Exchequer thought that in a war such as was envisaged, it would be necessary to adopt some of the methods of the totalitarian régimes and this applied particularly to the matter now under discussion. He thought that many of the practical difficulties to which the President of the Board of Trade had referred applied as much to a voluntary as to a compulsory scheme.

In regard to the retailers, the Chancellor of the Exchequer agreed that it would not be possible to have a scheme which covered the smaller retailers, but he thought that it would be necessary to proceed on the basis of including retailers above a specified financial limit in any compulsory scheme.

THE LORD PRIVY SEAL said that he was disturbed at the proposed departure from a compulsory scheme. He rather doubted whether, if a voluntary scheme were adopted, it would in fact cover the great majority of stocks as the President of the Board of Trade anticipated. He was afraid that there might be an inducement to traders to keep stocks unduly short in the vulnerable areas. This would not be in the public interest. He thought that it was difficult to justify a flat rate in regard to a voluntary scheme, but that a flat rate was justifiable in regard to a compulsory scheme of general application which was not really an insurance scheme so much as a scheme of mutual indemnity. The adoption of this principle would also be of importance in regard to fixed property. He agreed that in regard to Air Raid Precautions it had been necessary to limit statutory obligations to firms in the vulnerable areas. Such a limitation was a weakness in the scheme, but one which was inevitable on practical grounds.

After further discussion, the Cabinet agreed:-

- (1) To remit the outstanding questions as summarised on pages 24 and 25 of these Minutes to a Cabinet Committee composed as follows:-

The Lord President of the Council (Chairman).
 The Chancellor of the Exchequer.
 The Lord Privy Seal.
 The Secretary of State for Scotland.
 The President of the Board of Trade.
 The Minister of Agriculture and Fisheries.
 The Minister of Transport.

- (2) That the President of the Board of Trade should have authority to submit a Bill, based on the Report of the above Committee, direct to the Committee of Home Affairs without further reference to the Cabinet.

SURVEY OF WAR
PLANS IN THE
ECONOMIC AND
FINANCIAL
SPHERES.

12. The Cabinet had before them a Memorandum by the Chancellor of the Exchequer (C.F.-146 (39)) in which he drew attention to the desirability of instituting some general survey of the various plans and measures which had already been devised with the object of maintaining the economic life of the country in time of war. A number of suggestions on this subject had been received from various quarters, including the Prime Minister's Panel of Industrialists. The Chancellor had considered the possibility of setting up a Committee to watch over the progress in these matters, but had reached the conclusion that it would be preferable to select an individual with the necessary knowledge and experience, and to ask him to undertake a review of the plans and proposals prepared by various Departments, in order to determine whether they were consistent with one another and whether they covered the ground. A review of this kind would give an opportunity not only to assure all concerned that the work so far done was on the right lines, but it would also provide a means of securing that decisions which might have to be arrived at to meet our more immediate difficulties were both right in themselves and not calculated to run counter to what might have to be done in the event of a war emergency. Such a review, in addition to showing up any defects or gaps, would no doubt result in recommendations in general terms as to the lines on which those defects and gaps could be dealt with. The Chancellor proposed to invite Lord Stamp to undertake this task at once, assisted by one or two economists and perhaps a prominent industrialist, all of whom should be familiar with Government Departments and with the machinery of Government. Lord Stamp would also have at his

disposal the services of a suitable Civil Servant (with Treasury experience, if possible), and of the Cabinet Secretariat. The Chancellor added that the President of the Board of Trade and the Lord Privy Seal were aware of these proposals and had indicated their agreement with them.

After a short discussion the Cabinet approved this proposal.

**EXPORT GUARANTEE
(No. 2) BILL.**

(Previous
References:
Cabinet 33 (39),
Conclusion 8, and
Cabinet 34 (39),
Conclusion 9.)

13. The Cabinet had under consideration a Memorandum by the President of the Board of Trade (H.A.-29 (39)), covering the draft Export Guarantees (No. 2) Bill, the objects of which were (a) to make provision for an increase of the limit of £10 millions in respect of non-commercial guarantees given under Section 4 of the Export Guarantees Act, 1939; (b) to enable the Treasury to arrange finance for promissory notes, etc., guaranteed by the Board of Trade at times when those notes could not be marketed on advantageous terms; together with the following recommendation thereon by the Committee of Home Affairs (H.A.C. 15th Conclusions (39), Minute 1):-

"To authorise the introduction forthwith in the House of Commons of the Export Guarantees (No. 2) Bill in the form of the draft annexed to H.A.-29 (39), subject to the amendments agreed upon in the course of the discussion (including the substitution of the new short title 'Overseas Trade Guarantees Bill'), and subject also to any drafting or other minor alterations that may be found necessary or desirable."

In the course of discussion, the LORD CHANCELLOR explained that he entertained some doubts as to the words in Clause 1 (1) of the Bill "for the purpose of establishing or of encouraging trade or any branch of trade". He felt some doubt whether some of the transactions which it was now proposed to carry out in order to assist our allies or potential allies were, strictly speaking, within the terms of these words. He thought, however, that the situation was not open to objection provided the

authorities concerned took the view that, although the transactions contemplated might be risky, there was nevertheless a prospect of repayment. He agreed also that it was difficult to see how the point could be raised.

THE CHANCELLOR OF THE EXCHEQUER said that the words referred to were the words which appeared in the present Export Credits Guarantees Act and it would be difficult to adopt a different phrase in the present Bill.

The Cabinet approved the recommendation of the Committee of Home Affairs as summarised above.

LAW REFORM
(MISCELLANEOUS
PROVISIONS)
(SCOTLAND)
BILL.

(Previous
Reference:
Cabinet 34
(39), Con-
clusion 6.)

14. The Cabinet had before them a Memorandum by the Secretary of State for Scotland (H.A.-28 (39)) covering the draft Law Reform (Miscellaneous Provisions) (Scotland) Bill, the object of which was to amend the law of Scotland on a number of technical points which had been examined by a Committee of members of the legal profession, acting at the request of the Lord Advocate, and corresponding to the Law Revision Committee in England: together with the following recommendation thereon by the Committee of Home Affairs (H.A.C. 15th Conclusions (39), Minute 3):-

"To authorise the introduction in the House of Lords (on the understanding that it cannot be passed into law during the current Session) of the Law Reform (Miscellaneous Provisions) (Scotland) Bill in the form of the draft annexed to H.A.-28 (39), subject to any drafting or other minor alterations that may be found necessary or desirable."

The Cabinet approved this recommendation.

Richmond Terrace, S.W.1.

5th July, 1939.